

# Facts for Consumers



## Costly Coupon Scams



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Cents-off coupons are providing big bucks for scam artists who offer business opportunity and work-at-home schemes featuring coupon certificate booklets and coupon clipping services. Using the Internet to market these so-called opportunities, fraudulent promoters are promising entrepreneurs, charity groups and consumers earnings of “hundreds per week” and “thousands per month” simply by selling coupon certificate booklets or cutting coupons at home. The fact is that consumers and manufacturers are getting clipped in these costly—and deceptive—coupon capers.

There's only one legitimate way to use a coupon: Cut it out of the newspaper or other source and use it toward the purchase of the designated product. A coupon is meant to be used only by the consumer who buys the product for which the coupon is printed. Selling or transferring coupons to a third party violates most manufacturers' coupon redemption policies—and usually voids the coupon.

Coupons are big business: More than 3,000 manufacturers distribute nearly 330 billion coupons—worth an estimated \$280 billion—every year in an effort to help consumers save money. Indeed, it is thought that 77 percent of American households use some eight billion coupons to save \$4.7 billion on their grocery bills.

Yet, fraudulent promoters are making money marketing and misrepresenting coupon-based business opportunities to unwary consumers and even savvy organizations.

Among the victims are:

- would-be entrepreneurs trying to run a business from home, people with otherwise limited income opportunities, and people just trying to make a living, who are losing savings and time and effort.
- charity groups, lured into selling coupon certificate booklets as fundraisers; and
- consumers who are dealing with complicated forms involving difficult procedures and handling fees to receive the same coupons manufacturers give away for free.

Here's how the coupon scams work.

### Coupon Certificate Booklet Scams

A promoter sells an investor a business opportunity selling coupon certificate booklets. The investor is supposed to sell the booklets to consumers for \$20 to \$50 each. The booklets contain 20 to 50 certificates, each of which can be redeemed for \$10 worth of grocery coupons. That makes each booklet “worth” between \$200 and \$500 in coupons. To redeem the certificates for coupons, the consumer must complete and mail a form, select 30 to 50 products from a

list and include a self-addressed, stamped envelope and a processing fee.

In theory, the investor should make big profits selling the booklets to consumers. And consumers should save big money by using the coupons when they buy the groceries. In reality, though, the promoter is the only one who makes money.

Investors who spend several hundred to several thousand dollars to buy the certificate booklet distributorship lose money because inflated earnings claims never pan out. Consumers who pay out substantial processing fees and postage for coupons lose money because they can clip coupons for themselves from their newspaper. To redeem \$500 worth of certificates, for example, a consumer might pay postage and processing fees of over \$100. And everyone loses on false claims that coupons have no expiration date: Only a tiny share of coupons issued by manufacturers have no expiration date.

## Coupon Clipping Scams

A related scam centers on coupon clipping. Promoters make overblown promises about the income or profit potential for consumers working at home clipping coupons. These claims certainly sound appealing, but they are unsubstantiated at best and bold lies at worst. Making money—particularly “hundreds per week” and “thousands per month”—isn’t that easy. Success generally requires hard work.




Sometimes, fraudulent promoters use coupons clipped by consumers to fill orders from other consumers who redeem the coupon certificates. Many manufacturers have policies that do not allow coupons to be transferred. That is, the coupons that are being sold may not be redeemed by the retailer or manufacturer.

## Coupon Scheme Clues




You can avoid losing your money to a bogus work-at-home coupon opportunity. Listen for these tell-tale tactics:

- Guarantees of big profits, high income or amazing savings in a short time.
- Claims that no risk is involved.
- Lots of pressure to act now.
- Claims that this is a hot, “can’t miss” opportunity.

Still tempted to get involved in a coupon clipping venture through an ad in the newspaper, a magazine or on the Internet? Exercise caution. Ask questions—and make sure the answers add up.

-  Ask for details of the company’s refund policy before you invest any money.
-  Ask for the total cost of the work-at-home program, including supplies, equipment and membership fees. What will you get for your money?
-  Find out who will pay you, whether you’ll be paid on salary or commis-

sion, and when you will get your first paycheck.

-  Get all promises in writing. Any promises you hear should be written into the contract you sign.
-  Check out the company with the consumer protection agency or Better Business Bureau in your own area and in the city where the company is located. These organizations can tell you whether other consumers have complained about the work-at-home program that interests you. It’s not fool-proof, but it is prudent.
-  Find out all the costs and fees associated with getting the coupons and then do the math. Often, in addition to buying the coupon certificates, you’ll have to pay hefty postage and processing fees.

## Where to Complain

If you have been or are involved in a coupon certificate or coupon clipping business opportunity that isn’t making good on its promises, contact the company and ask for a refund. Let the company know you plan to notify officials about your experience. If you can’t resolve the dispute with the company, you may want to turn to one of these organizations for help:

- The advertising manager of the publication that ran the ad. The manager should be interested in the problems you’ve had with the company.

- Your local Postmaster. The US Postal Service investigates fraudulent mail practices.
- The Attorney General's Office in your state or the state where the company is located.
- The National Fraud Information Center, 1-800-876-7060, 9 a.m. to 5:30 p.m., EST, Monday - Friday, or at **www.fraud.org** on the Internet. NFIC, a project of the National Consumers League, is a nonprofit organization that operates a hotline to provide service and assistance to consumers who want to file complaints. NFIC helps the FTC and state Attorneys General by entering complaints into a computerized database to help track and identify fraud operators.
- The Federal Trade Commission. Although the FTC cannot resolve individual disputes, the information you provide may indicate a pattern of law violations that require action by the Commission. To register a complaint, write: Consumer Response Center, FTC, Washington, DC 20580.

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